



ASX Announcement

31st January 2018

Quarterly Activities Report – 31st December 2017

HIGHLIGHTS

Fortitude Trial Mine

- Gold ore production for the quarter was 36,014 tonnes @1.69g/t Au
- 34,699 tonnes @ 1.64g/t Au was delivered to AngloGold Ashanti, with payment received in full
- Forecast production from the north pit reduced as a result of lower than expected gold grade in a section of the pit
- Mining studies ongoing to assess the feasibility of a larger longer-term mining operation at Fortitude after completion of trial mine
- Matsa assumed control of Red October camp and completed relocation of all project staff and contractors

Red Dog Gold Project

- Maiden gold mineral resource of 368,000t at 2.2g/t for 26,300oz Au at this project which is located only 25km west of Fortitude gold trial mine
- Optimisation and mining studies underway with mining targeted to commence in 2nd half of 2018
- Matsa now owns 100% of the Red Dog project

Lake Carey - Exploration

- Acquisition of 90km² Hacks Well tenement NE of Sunrise Dam gold mine increases project area to 562km²
- Exploration programme planned to commence in March quarter

Corporate

- A 1 for 10 bonus share issue conducted in recognition of first ore sales and to reward shareholders
- \$2.5M raised via a share placement with attaching 1 for 3 option
- Cash and liquid investments as at 31 December 2017 approximately \$6.35 million

CORPORATE SUMMARY

Executive Chairman

Paul Poli

Director

Frank Sibbel

Director & Company Secretary

Andrew Chapman

Shares on Issue

172.38 million

Unlisted Options

13.7 million @ \$0.25 - \$0.30

Top 20 shareholders

Hold 51.56%

Share Price on 31st January 2018

19.5 cents

Market Capitalisation

\$33.61 million

INTRODUCTION

Matsa Resources Limited (“Matsa” or “the Company” ASX: MAT) is pleased to report on its development, exploration and corporate activities for the quarter ended 31st December 2017.

COMPANY ACTIVITIES

LAKE CAREY GOLD PROJECT - FORTITUDE GOLD MINE

The December 2017 quarter was the first full quarter of mining at the Fortitude trial mine which commenced in July 2017. The first full month of mining was achieved in August 2017, first ore was mined in September 2017. Delivery of ore to Sunrise Dam Gold Mine (SDGM) under the ore purchase agreement with AngloGold Ashanti Australia Limited (AGAA) commenced on the last day of September, which was recorded as October revenue.

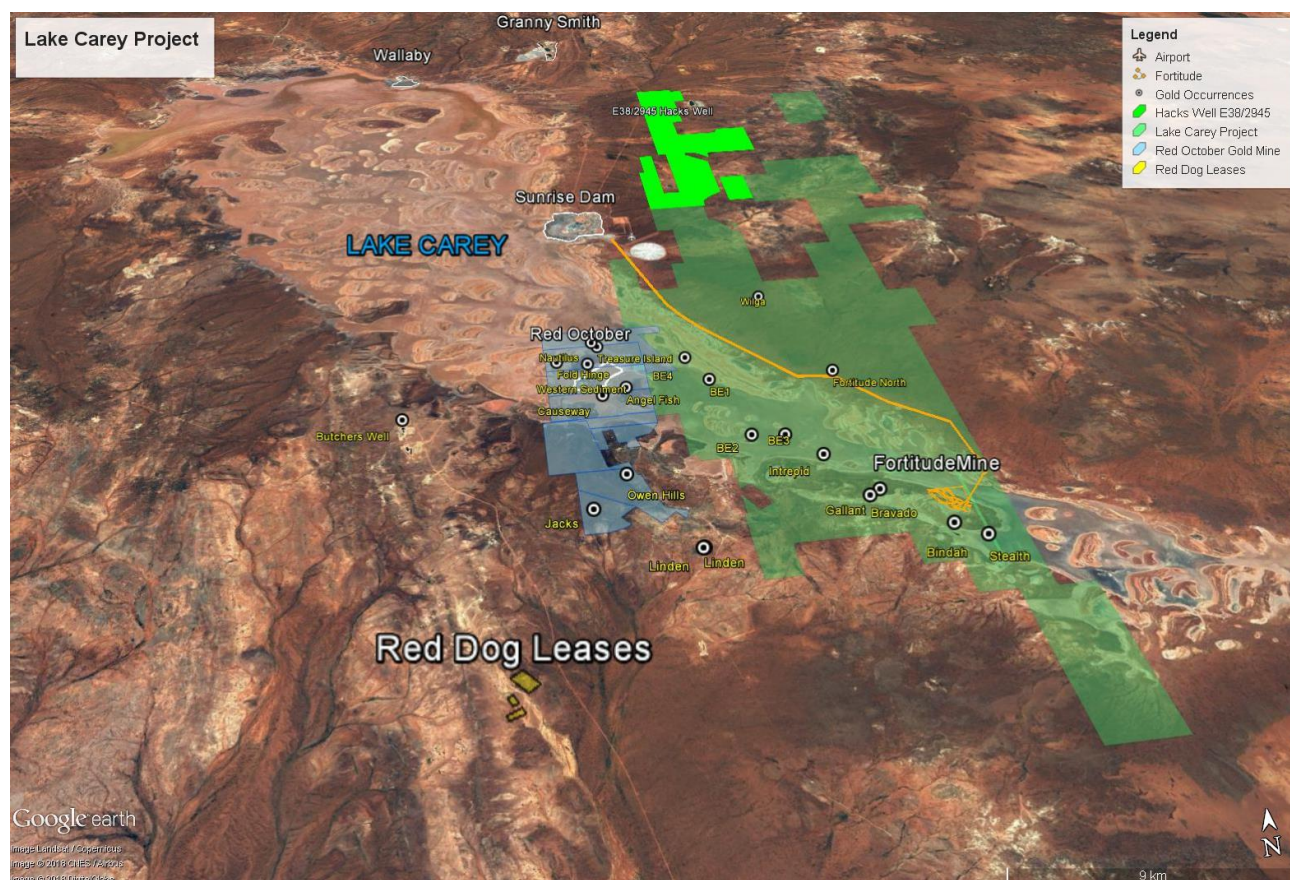


Figure 1: Fortitude Mine Lake Carey Gold Project – oblique view highlighting Red Dog and Hacks Well acquisitions

Production Summary

A total of 36,014t @ 1.69g/t was mined from the north and central pits at the Fortitude project with 34,699 tonnes @ 1.64g/t Au delivered to SDGM realising \$1.71M in revenue at a gold price of \$A1,655/ounce at 93% recovery. Production and ore grades are forecast to increase in the next quarter as the mine deepens and the waste to ore ratio reduces in accordance with the mine schedule. Mining was delayed at times during the quarter due to:

- availability of contract mining and haulage fleet during startup and first few months of production. These equipment issues have been to a large degree, resolved by the contractor during the quarter.
- unexpected requirement for blasting rather than free digging in the central pit due to the presence of a hard cap horizon which was not previously identified.

During the quarter the ore to waste (stripping) ratio was in accordance with forecast. High waste to ore ratio is expected in the early stages of mining.

Key Results for the Quarter

Production of 36,014t @ 1.69g/t Au for 1,957oz gold with key parameters summarised in Table 1.

	September	October	November	December	Remainder Forecast	Total
Waste (t)	586,537	233,021	318,604	341,075	437,188	1,916,425
Production (t)	11,301	5,465	9,996	20,553	134,200	181,515
Delivered (t)	Nil	11,976	9,022	14,142	141,618	176,758
Strip Ratio	51.9	42.6	31.9	16.6	3.3	10.6

Table 1: Quarterly Mine Production for December 2017

- 34,699 ore tonnes @ 1.64g/t Au were delivered to SDGM. Payment has been received for this delivery as at the date of this report.
- \$1.71M received from ore sales at an average price of \$1,655/oz gold
- C1 operating cost during the quarter was \$1,928/oz gold, reflecting the higher average stripping ratios (31:2) during the quarter as anticipated in the early stages of the trial mine. The stripping ratio in December has reduced to 16.6: 1 and is anticipated to reduce further for the remainder of the project as shown above to 3.3. This variation in stripping ratios is a normal and expected outcome in an open pit gold mine such as this. Consequently, the operating cost during the March quarter is expected to be significantly lower, thus the average C1 operating cost for the entire trial mine period to be more in line with forecast.
- Forecast production for the remainder of the project, which is now expected to be completed by 31st March 2018, is 134,200 tonnes @ 1.96 g/t Au to be delivered to SDGM. Completion of haulage is anticipated within 21 days of cessation of production.

The production forecast for the trial mining operation of **185,000t at 2.2g/t Au for 12,100 oz gold** (MAT announcement to ASX 25th July). This is mostly due to a 15m section in the north pit where grade control drilling recorded a lower gold grade of 1.8 g/t Au rather than 2.5g/t Au as predicted by exploration drilling. The overall reduction is expected to be approximately 1,766 ounces of gold.



Figure 2: Fortitude Trial Mine, Grade Control Drilling Central Pit

Grade control drilling of the final stage of the northern pit during January 2018 has been completed and a preliminary inspection of results are in line with expectations with no further reduction in grade expected.

Transition to Full Scale Mine

Studies continued during the quarter, to assess the transition of the Fortitude gold mine from its current trial mining status to a longer term open pit mining operation. Subject to a favourable economic assessment, the works required to “ramp up” to full scale production are targeted to commence as soon as possible from completion of the trial mine. All mining permits applicable to a larger operation are already in hand as part of the licencing for the trial mine.

RED OCTOBER GOLD MINE

In September 2017 Matsa announced the proposed acquisition of the Red October gold mine from Saracen Mineral Holdings Limited (*MAT announcement to ASX 26th September 2017*).

The acquisition of the project is yet to be completed because some conditions precedent outside of Matsa’s control, remain to be finalised. While settlement is expected to occur in the March 2018 quarter, Matsa has assumed control of the 68-person Red October camp and administration facility and all project staff and contractors are now accommodated there. The Red October camp is favourably located in relation to the Fortitude Gold Project and is adjacent to both the Red Dog gold project and the greater Lake Carey project.

As previously announced, key aspects of the project are as follows:

- The Red October mine has had historical production of 342,000oz gold at an average of 6.1g/t
- Opportunities for near term production are being assessed with commencement of mining targeted as soon as possible
- A defined gold resource of 99,000 ounces with significant potential to increase this with further drilling
- The project comprises 64km² of granted mining tenements contiguous with Matsa’s Lake Carey gold project
- All supporting mine infrastructure and haul roads are included
- The project includes several high quality gold targets including the Treasure Island prospect
- The acquisition includes a modern 68 person camp with full accommodation and administration facilities

RED DOG GOLD PROJECT

The project is located some 25km west of Fortitude and located in close proximity to with Matsa’s Lake Carey gold project and associated infrastructure (Figure 1).

During the quarter Matsa completed the following programme (*MAT announcement to ASX 18th January 2018*):

- RC drilling programme for a total of 103 drillholes and 2,163m
- Resource estimate for gold
- Submission of Native Vegetation Clearing Permit over conceptual mine plan area to DMIRS.

RC Drilling

The drilling programme consisted of 103 vertical RC drill holes on a 20m x 20m drill program over a gold target extending over ~250 metres NS and ~150m EW defined by previous drilling. RC drilling was designed to test continuity, thickness and grade of shallow mineralisation intersected by previous drilling and evaluate the economic potential of the project.

Results

The recent RC drilling has produced excellent assay results with better assays including:

- **6m at 155 g/t Au** from 6m (17RDRC077)
incl. **1m at 921 g/t Au** from 7m
- 11m at 2.59 g/t Au from 5m (17RDRC073)
- 14m at 1.97 g/t Au from 3m (17RDRC082)
- 6m at 4.57 g/t Au from 13m (17RDRC029)
- 8m at 3.23 g/t Au from 22m (17RDRC087)
- 8m at 3.11 g/t Au from 4m (17RDRC032)
- 10m at 2.31 g/t Au from 8m (17RDRC081)
- 8m at 2.56 g/t Au from 11m (17RDRC072)

The results define a shallow (2m to 10m below surface), relatively flat lying and continuous zone of mineralisation between 1m and 14m thick extending over an area ~250m NS and ~150m EW. Mineralisation remains open in several directions (Figure 3 and Figure 4). Gold mineralisation is associated with silica, hematite and pyrite within a hydrothermally altered basalt.

Visible gold ranging from <0.5mm to 2.5mm in size was recovered by panning ~4kg of material from the 1m bonanza grade intercept (**1m @ 921 g/t Au**) from 7m in 17RDRC077, providing visual confirmation of this very high grade intercept.

Because of these highly encouraging drill results, Matsa exercised its option to acquire a 100% interest in the project for a cash consideration of \$125,000.

Mineral Resource

The Red Dog Mineral Resource estimate totals 368,000t at 2.2g/t for 26,300oz Au with the majority of ounces (94%) in the Indicated Category (Table 2). The resource estimate is reported at a 0.5g/t Au lower cut-off and the estimate has not been constrained within a resource pit shell (Refer MAT announcement to ASX dated 18th January 2018).

Material	Indicated			Inferred			Total		
	Tonnes t	Grade g/t	Gold ounces	Tonnes t	Grade g/t	Gold ounces	Tonnes t	Grade g/t	Gold ounces
Oxide	2,000	1.3	100	2,000	0.9	100	5,000	1.1	200
Transitional/Fresh	330,000	2.3	24,700	33,000	1.4	1,500	363,000	2.2	26,200
Total	333,000	2.3	24,800	35,000	1.4	1,500	368,000	2.2	26,300

Table 2: Red Dog Mineral Resource as at January 2018 – reported above an Au cut-off grade of 0.5g/t Au

(Totals in Table 1 may not sum or weight average due to rounding).

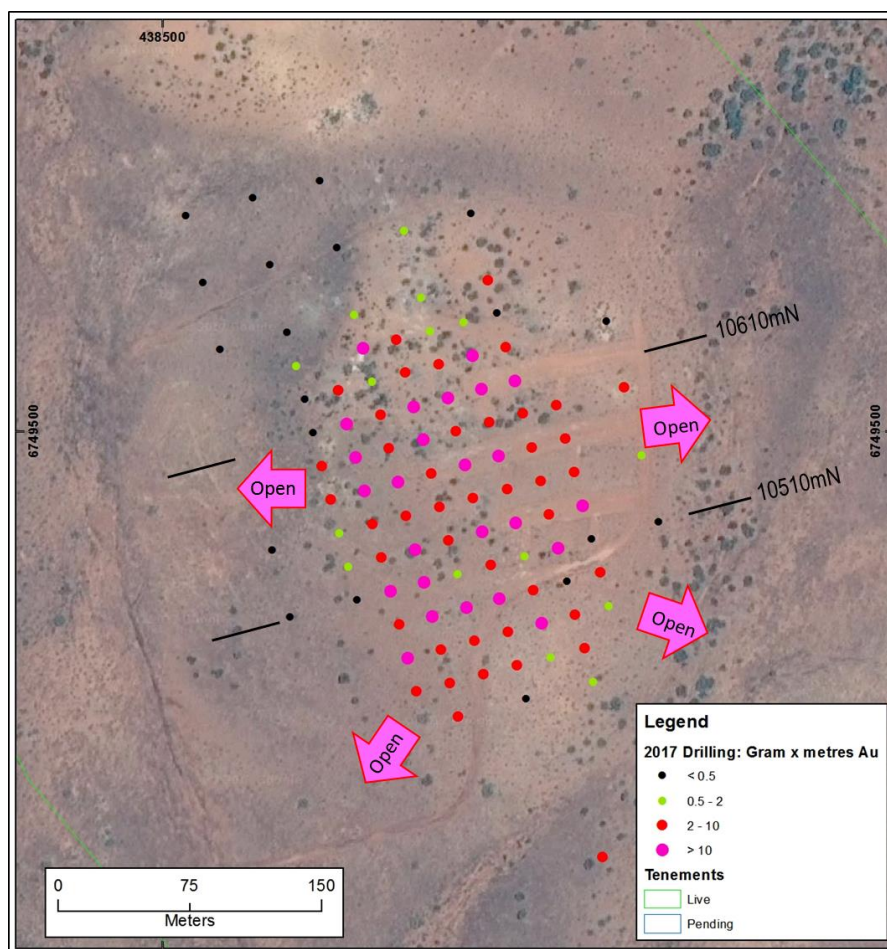


Figure 3: Red Dog RC Drilling Summary

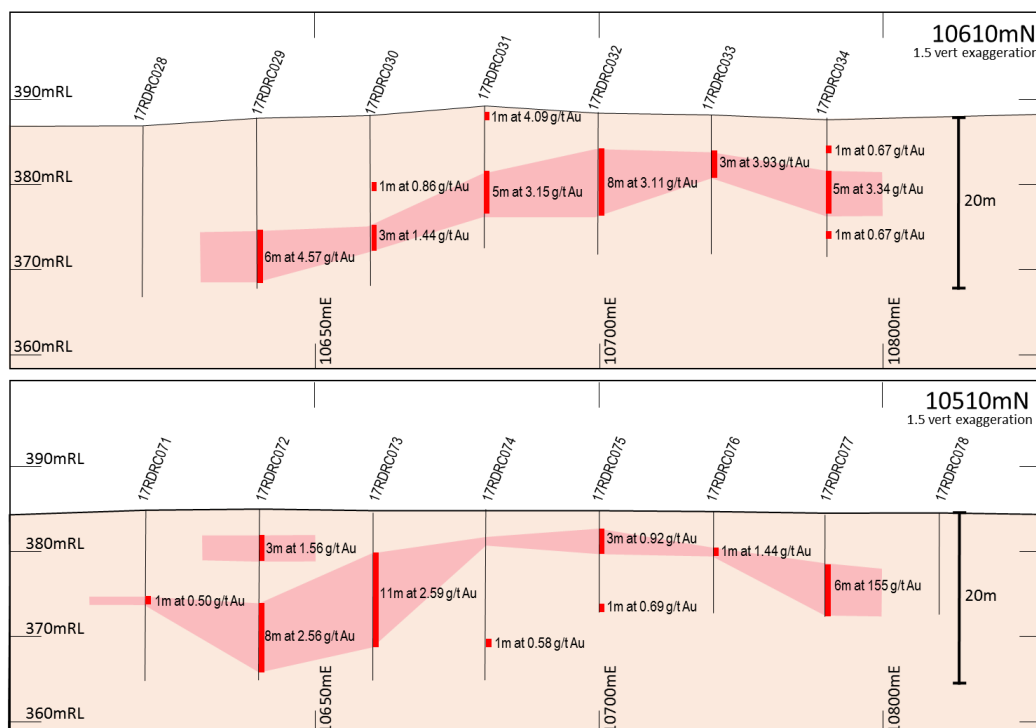


Figure 4: Cross Sections 10610mN and 10510mN

Upcoming Programme

Matsa is moving quickly to carry out pit optimisations, metallurgical testing and mining studies in order to rapidly determine the economic potential of the Red Dog gold project. Submission of a Native Vegetation Clearing Application to DMIRS late in 2017 was carried out to reduce the time frame for mining approvals in the event that studies underway show the project to be economic.

LAKE CAREY EXPLORATION

Acquisition of E38/2945 Hacks Well

Matsa acquired a 100% interest in the 90km² Hacks Well EL from Australian Potash Ltd for a consideration of \$55,000 (Figure 1). Matsa believes that this licence which is strategically located immediately NE of the Sunrise Dam gold mine is highly prospective for gold and represents a significant addition to the Lake Carey project which now has a footprint of 562km². A preliminary inspection of previous work is very encouraging and a more comprehensive data review and targeting study planned for January 2018 is expected to be followed up by drilling during the first quarter of 2018.

Research and Development Project

As noted in the previous quarter, 6 diamond drill holes (17LCDD018 at Fortitude and 17BEDD001–17BEDD005 at the BE1 gold target) were designed to be used in support of a research and development project into the use of passive seismic surveys in the search for structurally controlled gold mineralisation. Potential is seen to carry out surveys using an array of detectors at surface and at depth to provide a 3 dimensional acoustic dataset. This data has the potential to detect mineralised structures by mapping the differences between their acoustic properties and adjacent un-mineralised wall rocks. The research has potential to focus drilling for mineralisation under deeply weathered basement and transported cover.

Drill holes have been cased with 40mm PVC and will be used as platforms to locate acoustic sensors and enable a 3 dimensional interpretation of passive seismic data.

PARABURDOO PROJECT

During the quarter under review, a brief field programme was conducted to follow up highly anomalous gold values in stream sediment samples as previously reported (*MAT report to ASX 5th October 2017*).

The field programme was focused in the gold anomalous stream sediment catchment defined in the previous quarter. A total of 18 stream sediment samples, 13 soil samples and 4 rock chip samples were collected. (Sample collection and assay protocols are presented in Appendix 1).

Only four stream sediment samples returned anomalous assay values > 3ppb Au with a maximum gold value of 64 ppb Au. Overall, these results are significantly lower than the highly anomalous gold values (up to 0.38 g/t Au) returned from samples collected during the previous quarter. The reason for this discrepancy is not known at this stage, but importantly a review of laboratory procedures did not identify potential for contamination in the laboratory. The presence or absence of a one or more fine particles of free gold would account for the disparity between the samples. While unintentional, it is possible that field sampling procedures in the earlier programme were more appropriate for recovery of free gold, than the follow up programme.

Soil and rock chip assays did not return any anomalous results.

Matsa proposes to carry out further follow up sampling including excavation and panning of material of heavy mineral trap sites during the second quarter of 2018 to confirm the presence of anomalous gold values.

THAILAND EXPLORATION

As previously reported Matsa is working with the ALRO to finalise land access agreements and allow more intensive exploration and mining activities. Concurrently, Matsa is negotiating with the Forestry Department to access Forestry Land for exploration and potential mining at the Siam 1, Siam 2 and Siam 5 projects. Access to Forestry held land in the Siam 2 and Siam 5 project areas was granted during the quarter and access to Forestry Land in the Siam 1 project areas is anticipated in the March 2018 quarter.

On-ground work during the quarter comprised:

- 16.2 line km ground magnetic survey and mapping at Siam 7
- 17.5 line km ground magnetic survey at Siam 6
- 33 line km ground magnetic survey at Siam 3
- Rock chip and channel sampling of cupriferous outcrop at Siam 5
- 47 soil auger samples at Siam 5

Ground magnetics and mapping at Siam 7 have highlighted two mineralised areas associated with NW striking faults. The southern anomaly is immediately adjacent to the contact of limestone and volcanoclastics, where potential higher grade skarns may develop (Figure 5).

Ground magnetic surveys at Siam 6 and Siam 3 have not highlighted significant structural features or magnetic highs worthy of follow up to date. A review of the geology and potential cause of copper mineralisation noted at surface at these two areas is underway.

At Siam 5, rock chipping and costeaning of outcropping metamorphosed volcanoclastics containing malachite, azurite and native copper within quartz veining produced results up to 0.8% Cu using ICP analysis (Figure 6). The 10m outcrop lies on an isolated magnetic high, interpreted as an intrusive body at depth. A small soil auger sampling program around the outcrop outlined a 100m long NE trending soil Cu anomaly. The assay results for copper are summarised in Table 3.

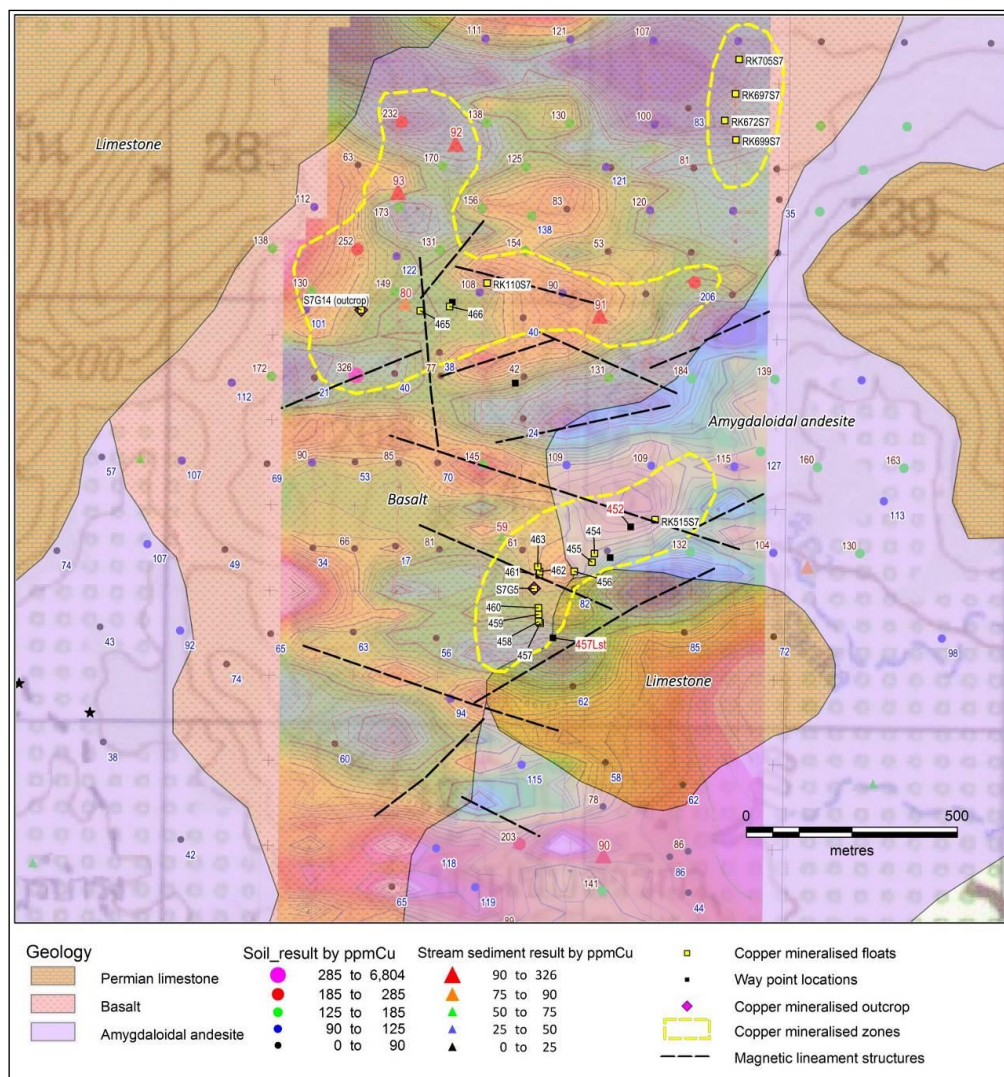


Figure 5: Siam 7 Geology, geochemistry and ground magnetic compilation map

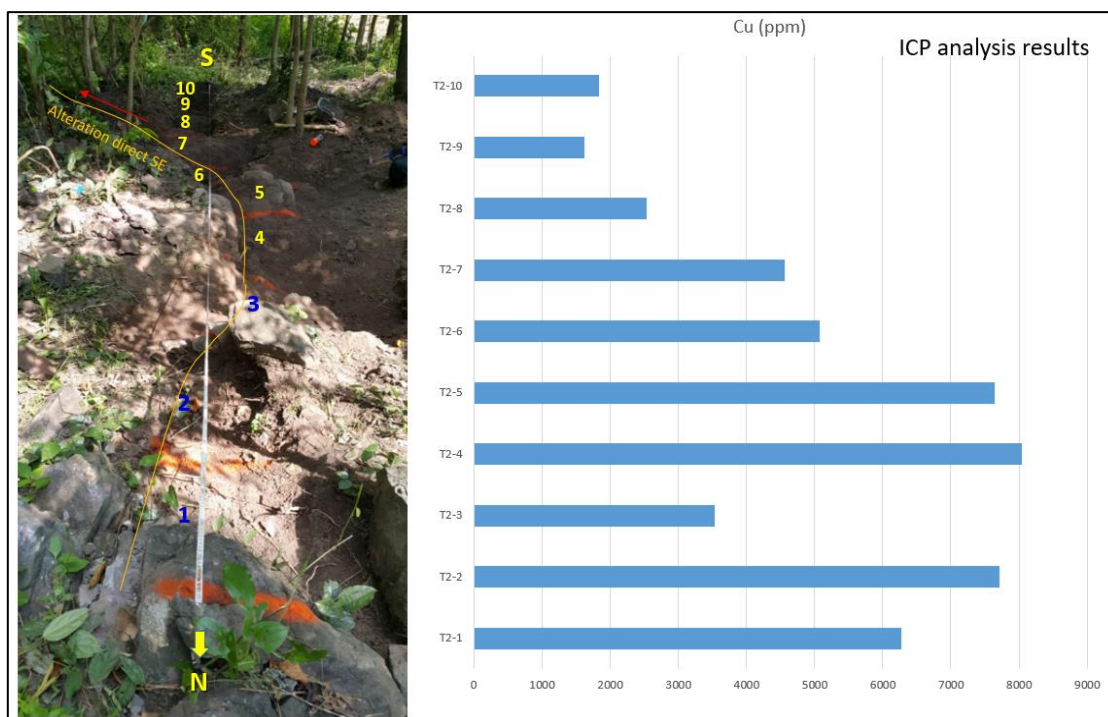


Figure 6: Siam 5 rock and channel sampling at 1m intervals on copper bearing outcrop

No Samples	47
Min ppm Cu	9
Max ppm Cu	739
Avg ppm Cu	82
90 percentile	156

Table 3: Siam 5 soil auger statistics

SYMONS HILL PROJECT (NICKEL)

E69/3070 of 96km² is located within the Fraser Range Tectonic zone, 6kms SSW of Independence Group Ltd's (ASX:IGO) Nova nickel mine. No field work was carried out during the quarter.

CORPORATE

Bonus Share Issue

In November 2017 Matsa announced it would conduct a bonus issue of shares to all shareholders on a 1 for 10 basis. This entitled all shareholders at the Record Date to receive 1 free fully paid ordinary share in Matsa for every 10 shares held.

The bonus share issue coincides with receipt of first revenue from mining at the Fortitude Trial mine that forms part of the Company's Lake Carey project. The bonus share issue was completed on 4 December 2017.

Capital Raising

In December 2017 Matsa announced that it would conduct a placement to sophisticated and professional investors to raise approximately \$2.5M (before costs). The funds from the placement will be used as follows:

- **Red Dog gold project** – conduct mining studies and complete approvals for the potential mining scenario of the project;
- **Red October gold project** – assessment of exploration opportunities both within the Red October mine and exploration ground as well as assess the opportunity to potentially recommence mining at Red October;
- **General working capital** – the funds will also be used as general working capital to advance the overall exploration and development of the Lake Carey project, company administration and corporate requirements.

The funds raised were principally from Mr Sung Yoon Chon who is a trading representative of UOB Kay Hian in Singapore. UOB Kay Hian is one of Asia's largest brokerage firms. Headquartered in Singapore, they are supported by more than 80 branches worldwide including a growing network of offices across Southeast Asia, Greater China, the United Kingdom and North America.

The Company issued 11.3M fully paid ordinary shares at an issue price of \$0.225 each for a total consideration of \$2.55M before costs. In addition allottees received one free unlisted option for every three shares subscribed for with an exercise price of \$0.30 each and expiring 30 November 2019.

During the quarter the Company received a further \$375,000 as a result of the exercise of 1.7 million unlisted options.

Cash and liquid assets total approximately \$6.35 million as at 31st December 2017. Please refer to Appendix 5B for further details.

For further information please contact:

Paul Poli
Executive Chairman

Frank Sibbel
Director

Phone +61 8 9230 3555
Fax +61 8 9227 0370
Email reception@matsa.com.au
Web www.matsa.com.au

Competent Person Statement

Exploration results

The information in this report that relates to Exploration results is based on information compiled by David Fielding, who is a Fellow of the Australasian Institute of Mining and Metallurgy. David Fielding is a full time employee of Matsa Resources Limited. David Fielding has sufficient experience which is relevant to the style of mineralisation and the type of ore deposit under consideration and the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. David Fielding consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Competent Person – Red Dog Gold Project

The information in this report that relates to Exploration results is based on information compiled by Mark Csar, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mark Csar is a full time employee of Matsa Resources Limited. Mark Csar has sufficient experience which is relevant to the style of mineralisation and the type of ore deposit under consideration and the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mark Csar consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information contained in this ASX release relating to Mineral Resources has been compiled by Susan Havlin of Optiro Ltd. Susan Havlin is a Member of The Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Susan Havlin consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

Appendix 1 - Matsa Resources Limited

JORC Code, 2012 Edition – Table 1 report

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information. 	<ul style="list-style-type: none"> Reverse Circulation drilling Red Dog Prospect comprising 103 drill holes see MAT announcement to ASX 18th January 2018. Stream sediment sampling was carried out at Paraburdoo. Samples comprise -2mm fraction of active channel lag as a shallow scrape across channel for a total of around 2kg. Soil sampling carried out at Paraburdoo. Samples of -2mm fraction B/C soil horizon material excavated from around 10cm depth. Rock chips ~1kg in weight were collected at Paraburdoo.
Drilling techniques	<ul style="list-style-type: none"> Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). 	<ul style="list-style-type: none">
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<ul style="list-style-type: none">
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and 	<ul style="list-style-type: none">

Criteria	JORC Code explanation	Commentary
	<p>geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</p> <ul style="list-style-type: none"> Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. The total length and percentage of the relevant intersections logged. 	
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. 	<ul style="list-style-type: none">
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	<ul style="list-style-type: none"> Soil and stream sediment samples at Paraburdoo, submitted for Bulk cyanide leach gold extraction to ALS (AuCN12). Assays for gold only by AAS / ICPMS to detection of 100ppt. Rock chip samples crush, pulverize P90 <75 micron, aqua regia digest, AAS for gold only.
Verification of sampling and assaying	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	<ul style="list-style-type: none"> Field follow up and repeat sampling planned at Paraburdoo.
Location of data points	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. 	<ul style="list-style-type: none"> Hand held GPS employed at Paraburdoo with notional accuracy of 5m.

Criteria	JORC Code explanation	Commentary
Data spacing and distribution	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	<ul style="list-style-type: none">
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<ul style="list-style-type: none">
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<ul style="list-style-type: none">
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> QA QC report completed by ALS at Matsa's request to examine potential source of contamination by gold in Stage 1 samples at Paraburdoo. Conclusion that prep area which is dedicated to low level gold surface samples, did not contaminate samples which were shown to contain significant gold up to 0.38 g/t.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<ul style="list-style-type: none">
Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none">
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	<ul style="list-style-type: none"> The principal target is orogenic gold associated stratigraphic contacts associated with major faults. In Thailand the target is base metal mineralisation associated with major boundary between the Indian and Chinese plates which was

Criteria	JORC Code explanation	Commentary
		active in permo Triassic times.
Drill hole Information	<ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> easting and northing of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole down hole length and interception depth hole length. If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	<ul style="list-style-type: none">
Data aggregation methods	<ul style="list-style-type: none"> In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<ul style="list-style-type: none">
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known'). 	<ul style="list-style-type: none">
Diagrams	<ul style="list-style-type: none"> Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	<ul style="list-style-type: none"> Appropriate diagrams are included in the body of the report.
Balanced reporting	<ul style="list-style-type: none"> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	<ul style="list-style-type: none"> Intercepts are presented in a balanced way, with better intercepts illustrating why Matsa is maintaining an interest in a particular project.
Other substantive	<ul style="list-style-type: none"> Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical 	<ul style="list-style-type: none"> Significant use is made of geophysical datasets, particularly aeromagnetics.

Criteria	JORC Code explanation	Commentary
exploration data	<i>survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i>	<ul style="list-style-type: none"> Stream sediment sampling was carried out at Paraburdoo. Samples comprise -2mm fraction of active channel lag as a shallow scrape across channel for a total of around 2kg.
Further work	<ul style="list-style-type: none"> <i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> 	<ul style="list-style-type: none"> Comments on likely outcomes for future exploration is fully accounted for.

MATSA RESOURCES LIMITED

SCHEDULE OF TENEMENTS HELD AT 31 DECEMBER

2017

Tenement	Project	Interest at Beginning of Quarter	Interest at End of Quarter	Change During Quarter
M 63/177	Buldania Rocks	100%	100%	
E 15/1380	Dunnsville	100%	100%	
E 15/1381		100%	100%	
E 16/294		100%	100%	
E 16/389		100%	100%	
E 16/390		100%	100%	
E16/443		100%	100%	
E 69/3070	Symons Hill	100%	100%	
E 63/1018	Killaloe	80% ¹	80% ¹	
E 63/1199		80% ¹	80% ¹	
E 63/1646		100%	100%	
E 63/1655		85% ²	85% ²	
E 63/1660		100%	100%	
E 63/1661		100%	100%	
E 63/1662		100%	100%	
E 63/1713		100%	100%	
E 38/2823	Minigwal	100%	0%	Surrendered
E 38/2948		100%	100%	
E 38/2949		100%	100%	
E 39/1708		100%	0%	Surrendered
E 39/1716		100%	100%	
E 39/1735		100%	100%	
E 39/1812		100%	100%	
E 39/1834		100%	100%	
E 39/1840		100%	100%	
E 63/1710	Mt Day	100%	0%	Surrendered
E 09/2162	North Bore	100%	100%	
E 52/3339		100%	100%	
E 38/3102	Mount Weld	100%	100%	
E 28/2600		100%	100%	
E 39/1812		100%	100%	
E 39/1834		100%	100%	
E 39/1840		100%	100%	
E 28/2635		100%	100%	

MATSA RESOURCES LIMITED

SCHEDULE OF TENEMENTS HELD AT 31 DECEMBER

2017

Tenement	Project	Interest at Beginning of Quarter	Interest at End of Quarter	Change During Quarter
E 39/1863		100%	100%	
E 39/1864		100%	100%	
E 39/1957		0%	100%	Granted
E 39/1958		100%	100%	
E 39/1980		100%	100%	
E 39/1981		100%	100%	
P3 9/5652		100%	100%	
E 39/1287	Fortitude	100%	100%	
E 39/1752		100%	100%	
E 39/1770		100%	100%	
E 39/1803		100%	100%	
E 39/1819		100%	100%	
E 39/1889		90% ³	90% ³	
E 39/2015		100%	100%	
L 39/247		100%	100%	
M 39/1		100%	100%	
M 39/1065		100%	100%	
M 39/1089		100%	100%	
M 39/286		100%	100%	
M 39/709		100%	100%	
M 39/710		100%	100%	
P 39/5393		100%	100%	
P 39/5669		0%	100%	Granted
P 39/5670		0%	100%	Granted
P 39/5694		100%	100%	
SPL 17/2558	Siam Project	100%	100%	
SPL 19/2558		100%	100%	
SPL 20/2558		100%	100%	
SPL 22/2558		100%	100%	
SPL 23/2558		100%	100%	
SPL 27/2553		100%	100%	
SPL 30/2553		100%	100%	
SPL 34/2558		100%	100%	
SPL 37/2558		100%	100%	
SPL 38/2558		100%	100%	
SPL 39/2558		100%	100%	
SPL 40/2558		100%	100%	
SPL 41/2558		100%	100%	

MATSA RESOURCES LIMITED
SCHEDULE OF TENEMENTS HELD AT 31 DECEMBER
2017

Tenement	Project	Interest at Beginning of Quarter	Interest at End of Quarter	Change During Quarter
SPL 43/2558		100%	100%	
SPL 44/2558		100%	100%	
SPL 45/2558		100%	100%	
SPL 48/2558		100%	100%	
SPL 51/2558		100%	100%	
SPL 52/2558		100%	100%	
SPL 53/2558		100%	100%	

All tenements are located in Western Australia apart from the Siam Project which is located in Thailand.

¹ = Joint Venture with Cullen Resources Limited

² = Yilun Pty Ltd holds a 15% interest

³ = Joint venture with Raven Resources Pty Ltd (10%)

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

MATSA RESOURCES LIMITED

ABN

48 106 732 487

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	935	935
1.2 Payments for		
(a) exploration & evaluation	(622)	(1,890)
(b) development	22	(554)
(c) production	(2,718)	(3,472)
(d) staff costs	(202)	(410)
(e) administration and corporate costs	(427)	(718)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	15
1.5 Interest and other costs of finance paid	(165)	(216)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	23	35
1.9 Net cash from / (used in) operating activities	(3,145)	(6,275)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(9)	(44)
(b) tenements (see item 10)	(125)	(125)
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	918	1,651
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – Deposit on acquisition of Red October	-	(150)
	- Bond Deposits	(13)	(13)
2.6	Net cash from / (used in) investing activities	771	1,319

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	2,548	2,548
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	375	375
3.4	Transaction costs related to issues of shares, convertible notes or options	(182)	(182)
3.5	Proceeds from borrowings	-	3,037
3.6	Repayment of borrowings	(25)	(41)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	2,716	5,737

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,506	2,067
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,145)	(6,275)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	771	1,319
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,716	5,737
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,848	2,848

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,362	1,456
5.2	Call deposits	486	1,050
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,848	2,506
	Shares held in listed investments*	3,502	3,542
	Total cash and liquid investments at end of quarter	6,350	6,048

* Market value at 31 December 2017 (Previous quarter 30 September 2017)

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	182
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	4,000	3,000
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

On 8 August 2017 Matsa entered into a secured \$4m loan facility split equally between two separate parties. The loan attracts a 12% per annum interest rate and is repayable by 31 July 2018. At 31 December 2017 the Company had drawn down \$3M of the facility.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	264
9.2 Development	-
9.3 Production	2,668
9.4 Staff costs	258
9.5 Administration and corporate costs	196
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	3,386

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	<u>Minigwal (WA)</u> E39/1708	Direct	100%	0%
	<u>Mount Weld (WA)</u> E38/2823	Direct	100%	0%
	<u>Mt Day (WA)</u> E63/1710	Direct	100%	0%
10.2 Interests in mining tenements and petroleum tenements acquired or increased	<u>Mount Weld (WA)</u> E39/1957	Direct	0%	100%
	<u>Fortitude (WA)</u> P39/5669	Direct	0%	100%
	P39/5670	Direct	0%	100%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Director/Company secretary)

Date: 31 January 2018

Print name: Andrew Chapman

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.